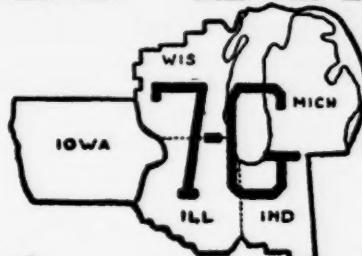


BUSINESS CONDITIONS

SEVENTH
FEDERAL



RESERVE
DISTRICT

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General Summary

WITH several major lines of manufacture accelerating operations in December, the retail distribution of commodities increasing to a greater than seasonal extent, and a marked gain in employment and wage payments, the year 1934 closed with business at levels well above those prevailing at the end of 1933. Furthermore, aggregates for the year as a whole were substantially heavier in most reporting groups of industry and trade, despite the declining trend in evidence after the first six months of the year; in a few industries, notably automobiles, the volume of production was the largest since 1930. An exception to these trends may be found in food-producing industries where drought and production control measures were important factors.

Among the larger industries to expand production during December were steel and automobiles, the rise in steel operations being due in great part to that at automobile plants. Activity at malleable casting foundries also increased, and there was a slight gain in building construction. Recessions from the preceding month in the furniture and in the stove and furnace industries, as well as in the movement of building materials were seasonal in nature. A drop in shipments from steel casting foundries, however, was counter to trend for December.

Output of food-producing industries declined in December, in some cases non-seasonally. Both the commercial and the total production of packing-house commodities were less than in November, and the sales tonnage likewise decreased, although a rise in prices brought about an increase in the aggregate value of sales. The manufacture and distribution of creamery butter and of Wisconsin cheese also fell off in December. In grain markets the movement of wheat and that of oats were below average for December; receipts of corn were smaller than usual for the month, but shipments of this grain were above normal.

Changes during December in wholesale trade conditions were in accordance with seasonal trend, the wholesale grocery, hardware, and dry goods trades experiencing declines from a month previous, and drug and electrical supply sales showing gains. In retail phases, greater than seasonal gains in sales took place in all reporting

groups—department store, the retail shoe, retail furniture, and chain store trades.

Between December 19 and January 16, the amount of reserve bank credit extended to the district showed an increase of over 5 millions. Total loans and investments of reporting member banks in the district declined in this period, owing chiefly to a decrease in the banks' holdings of securities other than U. S. Government direct obligations or those fully guaranteed. Demand deposits in these banks were slightly larger and time deposits more noticeably so. Dealer sales of commercial paper and transactions in bankers' acceptances of accepting banks in the district declined in December and were in much less than average volume.

Credit Conditions and Money Rates

Banking reserves in the Seventh Federal Reserve district increased during the four-week period ended January 16, owing almost entirely to a movement into the district of approximately 30 million dollars from inter-district commercial and financial transactions, although the amount of reserve bank credit extended locally also showed a gain. As a result of these factors, and of lessened demand for currency and an excess of local Treasury disbursements over collections, member bank reserve balances increased 67 millions in the period.

Total credit extended by the Chicago Reserve bank amounted to \$435,989,000 on January 16, as compared with \$430,631,000 on December 19, an increase in the amount of bills discounted accounting for the gain. Detailed changes in the sources and uses of Seventh district banking reserves are shown in the accompanying tabulation.

Changes between December 19, 1934 and January 16, 1935 in Factors Affecting Use of Federal Reserve Bank Funds—Seventh District
(Amounts in thousands of dollars)

Reserve bank credit extended (exclusive of amounts to other districts)	+5,307
Commercial operations through inter-district settlements	+29,860
Treasury and National bank currency	-48
Total supply	+35,119
Demand for currency	-28,896
Member bank reserve balances	+66,986
Treasury cash and deposits at Federal Reserve Bank of Chicago	-8,251
Special and "all other" deposits	+4,266
Other Federal Reserve accounts	+1,014
Total demand	+35,119

MEMBER BANK CREDIT

A decline of 26 million dollars was recorded in total loans and investments of licensed reporting member banks in this district on January 16 as compared with December 19—the corresponding reporting date in the preceding month—representing relatively minor changes in the constituent items, with the exception of "Other Securities" (see accompanying table) which recorded a decrease of 26 millions. Net demand and time deposits gained in the monthly comparison by one million and 11 millions, respectively. As compared with January 17, 1934, total loans and investments on January 16 of this year showed a gain of 339 millions, reflecting for the most part heavier holdings of U. S. Government direct obligations; deposit aggregates, particularly net demand, were also considerably greater than a year ago.

The prevailing rate on customers' commercial loans during the week ended January 15 was reported by down-town Chicago banks as $1\frac{1}{2}$ to 5 per cent, or the same as for the week ended December 15. The average rate earned on loans and discounts during the calendar month of December by down-town Chicago banks was 2.96 per cent, unchanged from November and as against 3.15 in December 1933. Detroit banks reported a rate of $3\frac{1}{2}$ to 6 per cent on customers' commercial loans for the week ended January 15; for the corresponding week in December this rate was the same.

Sales of commercial paper by dealers in the Middle West declined $1\frac{1}{2}$ per cent during December to a level below any month since last February and were 51 per cent under the 1924-33 December average; the volume exceeded that of a year previous, however, by 103 per cent. Borrowing by means of commercial paper was seasonally light during December. Demand from city banks for this class of investment was approximately the same as in November, but that of country banks declined somewhat. Rates remained unchanged from a month earlier, ranging from $\frac{3}{4}$ per cent for prime short-term obligations to 1 and $1\frac{1}{4}$ per cent on less well known paper or that with longer maturity, the bulk of transactions continuing to take place at $\frac{3}{4}$ per cent. The amount of commercial paper outstanding on December 31 declined $11\frac{1}{2}$ per cent from the end of November to a level below any previous reporting date since the close of last June, and was 53 per cent under the 1924-33 year-end average, but exceeded that at the close of 1933 by 64 per cent. Sales in the first half

CONDITION OF LICENSED REPORTING MEMBER BANKS SEVENTH DISTRICT

(Amounts in millions of dollars)

	JAN. 16	DEC. 19	CHANGE FROM
	1935	1934	JAN. 17
Total Loans and Investments.....	1,956	-26	+339
Total Loans on Securities.....	280	+2	-61
To Brokers and Dealers			
In New York.....	28	0	+10
Outside New York.....	32	+6	+1
To Others.....	220	-4	-72
Acceptances and Commercial Paper			
Bought.....	71	-4	...
Loans on Real Estate.....	34	-1	...
Other Loans.....	289	+2	-16*
U. S. Government Direct Obligations.....	922	-5	+384
Obligations Fully Guaranteed by U. S.			
Government.....	101	+6	...
Other Securities.....	259	-26	+32‡
Net Demand Deposits.....	1,750	+1	+440
Time Deposits.....	520	+11	+67
Borrowings from Federal Reserve Bank....	9	+9	+9

*Represents total acceptances, commercial paper, loans on real estate and other loans. Segregated figures not available.

†Represents obligations fully guaranteed by U. S. Government and other securities. Segregated figures not available.

of January this year approximated those of the first two weeks in December. With supply relatively scarce and with some improvement in demand, rates tended to ease, quotations on January 15 ranging from $\frac{3}{4}$ to 1 per cent.

During the five weeks ended January 16, operations in the Chicago bill market fell off considerably. The supply of acceptances declined $56\frac{1}{2}$ per cent from that of November 15 to December 12—the result of smaller receipts from Eastern markets and a decline in the volume of purchases locally. Open-market sales to local banks decreased more than 50 per cent, offsetting a slight gain in sales to out-of-town banks, and together with a heavy decline in shipments to Eastern cities brought about a decline in distribution equaling that in supply. Selling rates remained extremely low during the period, ranging from $\frac{1}{8}$ to $3/16$ per cent.

Bill-market operations of accepting banks in the Seventh Federal Reserve district showed a counter-to-seasonal decline in December from the preceding month and were considerably below the 1924-33 December average. The volume of new financing by means of acceptance credits fell off approximately 28 per cent from November and was almost 60 per cent less than average for the month. A similar trend was shown in the direct discounting of these bills by the banks of origin, the volume dropping to the lowest level of any month since last June. Furthermore, purchases of other banks' acceptances dropped 62 per cent from November to a level 33 per cent under a year previous and 41 per cent below the ten-year average for December; total purchases, therefore, were in about half the volume obtaining a month earlier, in December 1933, and in the average. Sales in December amounted to only \$50,000; however, maturities exceeded the volume of current purchases. Total holdings, therefore, declined moderately in the monthly and yearly comparisons, although they were considerably heavier than average for December. Liabilities for outstandings were the largest since August 31, 1934, but continued approximately 50 per cent below the 10-year average for the date. A further recession of 39 per cent in the volume of new financing was recorded during the first half of January, largely as a consequence of smaller borrowing by the grain industry.

TRANSACTIONS IN BANKERS' ACCEPTANCES AS REPORTED BY A SELECTED LIST OF ACCEPTING BANKS IN THE SEVENTH DISTRICT

	PER CENT CHANGE IN DECEMBER 1934 FROM NOVEMBER 1934		DECEMBER 1933
Total value of bills accepted.....	-27.7	...	-52.3
Purchases (including own bills discounted).....	-51.0	...	-48.8
Sales.....	-99.1	...	-99.3
Holdings*.....	-6.5	...	-14.5
Liability for outstandings*.....	+3.7	...	-41.2

*At end of month.

SECURITY MARKETS

Reflecting continued good demand, bond prices in the Chicago market moved rather steadily upward during December. High grade corporate bonds, both long and

FEDERAL RESERVE BANK OF CHICAGO, SELECTED ITEMS OF CONDITION

(Amounts in millions of dollars)

	JAN. 16	DEC. 19	JAN. 17
	1935	1934	1934
Total Bills and Securities.....	\$438.9	\$+9.0	\$-15.9
Bills Discounted.....	9.0	+8.9	+6.0
Bills Bought.....	0.7	-0.1	-13.8
U. S. Government Securities.....	428.3	0	-9.0
Total Reserves.....	1,103.7	+4.9	+213.4
Total Deposits.....	739.4	+28.1	+218.8
Federal Reserve Notes in Circulation.....	768.2	-19.7	+8.1
Ratio of Total Reserves to Deposit and Federal Reserve Note Liabilities Combined.....	73.2	0*	+3.7*

*Number of Points.

short maturities, and municipal issues were given the greatest preference by investors, and prices were unusually strong in these classifications. New underwritings in December exceeded somewhat the total for the preceding month, but the volume remained light. Institutional purchases continued to dominate the demand. Prices on the Chicago Stock Exchange moved within a narrow range throughout December and the first half of January. The average price of twenty leading stocks* amounted to \$29.26 on January 17, as compared with \$28.43 on December 17.

*Chicago Journal of Commerce.

Agricultural Products

Final figures showed only minor revisions from preliminary totals in 1934 crop estimates. The data on corn production in the Seventh district were raised to 486,539,000 bushels and those for oats were reduced to 186,086,000 bushels, as compared with the respective forecasts of 471,280,000 and 198,213,000 on November 1. Furthermore, both wheat and potatoes were reported as having turned out better than had been expected earlier. On the other hand, the crop of tobacco was even smaller than anticipated on November 1. The acreage planted this autumn to winter wheat and rye was somewhat larger than in 1933, both in the Seventh district and in the United States as a whole.

GRAIN MARKETING

Terminal receipts of wheat in the United States totaled smaller during December than in any other month in this bank's records (January 1921). Also, reshipments of this grain were at a relatively low level during the period, being 29½ per cent below the 1929-33 average for the month and 51 per cent smaller than in November. Exports of wheat from the United States were exceptionally light. Prices firmed slightly. Visible supplies of this commodity continued to decrease, and the total stock of the grain in all positions in the United States was approximately 25 per cent smaller on January 1, 1935, than at the beginning of 1934.

Receipts of corn increased less than seasonally in December over November and were in only half the average volume for the month. On the other hand, shipments of the grain recorded a counter-to-seasonal recession from a month earlier, but were heavier than either a year previous or the 1929-33 December average. Visible supplies of corn continued to decline and were sharply less than a year earlier. January 1, 1935 farm stocks of the grain also registered a marked decrease from the beginning of 1934. Prices advanced in December over November.

Oats receipts at terminal markets were in smaller volume than a month earlier, a year previous, or the 1929-33 December average. Shipments followed a trend similar to market receipts except that they showed a non-seasonal gain over November. The stock of oats in the United States likewise was much less than a year previous. Prices tended to firm in December over those of November.

VOLUME OF PAYMENT BY CHECK, SEVENTH DISTRICT

(Amounts in millions of dollars)

	DEC. 1934	NOV. 1934	PER CENT OF INCREASE OR DECREASE FROM DEC. 1933
Chicago.....	\$2,472	+22.3	+23.7
Detroit, Milwaukee, and Indianapolis.....	1,027	+28.0	+42.4
Total four larger cities.....	\$3,499	+23.9	+28.7
35 smaller centers.....	560	+12.8	+23.9
Total 39 centers.....	\$4,059	+22.2	+28.0

MOVEMENT OF LIVE STOCK

In December 1934, cattle marketings in the United States remained decidedly in excess of a year earlier and were 10 per cent above the 1924-33 average for the month, but declined seasonally from November to a level below any other month since last June. Hog receipts at public stock yards in the United States declined somewhat from November—instead of showing the customary gain—and those of lambs decreased, as is usual; the volume of each was under a year previous and considerably below the 1924-33 average for December. Calf marketings were less than at any time since last February but greater than average for the month. The movement to inspected slaughter (inclusive of animals that did not pass through the public markets) diverged from or accelerated the trend of market receipts in several instances: the supply of hogs expanded 4½ per cent over November and was in excess of any month since January 1934, that of lambs exceeded the seasonal volume by 9½ per cent, and cattle and calves continued to record respective gains in number of 59 and 28½ per cent over the 1924-33 December average.

Reshipments of cattle, calves, and lambs to feed lots fell off no more sharply than usual in December from November, but were the smallest since last June and considerably below the 1929-33 average for the month.

MEAT PACKING

Counter-to-seasonal trends prevailed during December in practically all phases of meat-packing industry activities. Commercial production at slaughtering establishments in the United States declined 3½ per cent from a month earlier to a level 9½ per cent under last December and 14½ per cent below the 1924-33 average. Though continuing very heavy, total production—inclusive of the Government tonnage—decreased 1½ per cent from a month previous, in contrast to a ten-year average expansion for December of 14½ per cent, and was 4 per cent less than this average, but continued to be 1½ per cent in excess of 1933. The sales tonnage fell off 10 per cent from November, and was not only 9 per cent smaller than a year ago and 15 per cent below normal but under that of any other month since April 1922. On the other hand, the total value of sales billed to domestic and foreign customers, augmented by a sharp rise in prices over November, increased 3½ per cent in December, was 34 per cent above a year ago, but was 15½ per cent below the 1924-33 average level for the month. Commercial inventories expanded slightly more than the usual amount over December 1 and were 298,710,000 pounds greater than the 1930-34 average for January 1. Payrolls at the close of December reflected a non-seasonal recession from November in em-

LIVE STOCK SLAUGHTER

(In thousands)

	CATTLE	HOGS	LAMBS AND SHEEP	CALVES
Yards in Seventh District, December 1934.....	234	911	327	97
Federally Inspected Slaughter, United States				
December 1934.....	1,188	4,196	1,314	494
November 1934.....	1,232	4,023	1,368	495
December 1933.....	721	4,530	1,390	402

AVERAGE PRICES OF LIVE STOCK

(Per hundred pounds at Chicago)

	WEEK ENDED JAN. 19 1935	DEC. 1934	MONTHS OF NOV. 1934	DEC. 1933
Native Beef Steers (average).....	\$9.05	\$7.40	\$7.35	\$5.20
Fat Cows and Heifers.....	6.10	4.70	4.85	4.10
Calves.....	7.25	5.25	5.35	4.95
Hogs (bulk of sales).....	7.70	6.00	5.60	3.30
Lambs.....	8.80	7.35	6.15	7.10

ployment, hours worked, and wage payments and showed a smaller improvement over 1933 than had been recorded earlier in 1934.

In the calendar year 1934, gains were shown over 1933 of 4½ per cent in total production, 27½ per cent in aggregate value of sales billed to domestic and foreign customers, 18½ per cent in inventories, and of more than 30 per cent in prices; but a decline of 3 per cent was recorded in commercial production, and the sales tonnage not only decreased 2½ per cent but was somewhat less than the quantity produced for market.

Shipments for export fell off rather sharply in December from November and largely comprised lard and sweet pickled meats forwarded to the United Kingdom. Demand for these commodities was fair in British markets but remained negligible on the Continent. In the United Kingdom, quotations for American meats continued about on a parity with Chicago, but the discount on United States lard was somewhat greater than in November. Inventories of United States packing-house commodities abroad (inclusive of stocks in transit) decreased further on January 1, 1935.

DAIRY PRODUCTS

The manufacture of creamery butter in the Seventh Federal Reserve district fell off 10 per cent in December—contrary to the usual tendency—to a level 8 per cent under a year previous and 9½ per cent below the 1924-33 December average. Furthermore, the sales tonnage decreased 11½ per cent from November, was 5 per cent smaller than last December, and aggregated only one per cent heavier than average for the season. In the calendar year 1934, Seventh district production of creamery butter declined 3½ per cent from 1933, but the tonnage sold increased 1½ per cent. Manufacture of the commodity in the United States showed a non-seasonal recession in December from a month earlier and was 5½ per cent under a year previous. Despite an advance of approximately 2 per cent in prices over November, consumption recorded more than the normal December excess over current production. January 1, 1935 inventories of creamery butter in the United States, consequently, aggregated 33,941,000 pounds less than on December 1, were 13,961,000 pounds below the 1930-34 average for the date, and 64,156,000 pounds less than at the beginning of 1934.

American cheese production in Wisconsin recorded a further decline of 25½ per cent in the four weeks ended

EMPLOYMENT AND EARNINGS—SEVENTH FEDERAL RESERVE DISTRICT

INDUSTRIAL GROUP	WEEK OF DEC. 15, 1934			CHANGE FROM NOV. 15, 1934	
	REPORTING FIRMS NO.	WAGE EARNERS NO.	EARNINGS (\$000 OMITTED)	WAGE EARNERS %	EARNINGS %
Metals and Products ¹ ...	1,241	216,689	4,659	+3.2	+5.5
Vehicles...	212	227,056	5,617	+18.3	+34.0
Textiles and Products...	294	44,065	699	+0.4	+3.3
Food and Products...	620	96,545	2,099	-3.9	-2.6
Stone, Clay, and Glass...	151	8,171	151	-19.8	-23.9
Wood Products...	386	30,622	483	-0.8	+0.6
Chemical Products...	162	21,247	496	-1.4	-1.9
Leather Products...	102	20,887	395	+1.0	+7.4
Rubber Products ² ...	8	6,862	161	+4.4	+6.0
Paper and Printing...	517	63,169	1,552	+1.3	+3.9
Total Mfg., 10 Groups...	3,693	735,313	16,312	+5.3	+11.4
Merchandising ³ ...	1,758	98,325	1,917	+12.9	+10.5
Public Utilities...	78	81,200	2,405	-1.7	-0.9
Coal Mining...	15	5,625	143	+1.2	+24.9
Construction...	286	8,224	150!	-21.5	-28.8
Total Non-Mfg., 4 Groups	2,137	193,374	4,615	+4.1	+2.9
Total, 14 Groups	5,830	928,687	20,927	+5.0	+9.4

¹Other than Vehicles. ²Michigan and Wisconsin. ³Illinois and Wisconsin.

December 29 to a level 11 per cent under the 1929-33 average, and was only 1½ per cent in excess of a year previous. Sales of the commodity from primary markets of that State were 39 per cent heavier than current manufacture and one per cent in excess of the ten-year average for the month. Annual production of American cheese in Wisconsin increased 4 per cent in 1934 over 1933, but sales of the commodity gained only 2½ per cent. Though showing more than a seasonal decline from December 1, total inventories of cheese in the United States were 10,222,000 pounds larger on January 1, 1935, than at the beginning of 1934, and aggregated 20,519,000 pounds greater than the 1930-34 average for the date.

Industrial Employment Conditions

Seventh district employment in a total of 5,830 establishments rose 5 per cent and payrolls 9½ per cent between November 15 and December 15, the reflection of a marked increase in industrial activity. The gains were sufficiently large to offset more than one-third of the cumulative decreases of the six preceding months, so that employment in December was only 7½ per cent and payrolls 9 per cent lower than last May, as against decreases of 12 and 17 per cent, respectively, in the comparisons for November with this earlier date. Owing however, to the substantial gains that were effected in employment and payrolls during the earlier months of the year, the December 1934 volumes were considerably higher than those of a year previous—14 per cent in the number of workers employed and 29 per cent in wage payments. Except for the construction industries in which payrolls at the close of 1934 were 30 per cent lower than a year earlier, practically all of the principal industrial groups shared in the expansion.

The accompanying tables show the trend in employment and payrolls during the last two months of 1934.

Manufacturing

AUTOMOBILE PRODUCTION AND DISTRIBUTION

The manufacture of automobiles in 1934 exceeded that for any year since 1930. Passenger cars produced in the United States numbered 2,189,613 for the year, which number represented increases of 39½, 93, and 11 per cent, respectively, over the years 1933, 1932, and 1931. Truck output numbering 588,640, showed respective

EMPLOYMENT AND EARNINGS—SEVENTH FEDERAL RESERVE DISTRICT

INDUSTRIAL GROUP	WEEK OF NOV. 15, 1934			CHANGE FROM OCT. 15, 1934	
	REPORTING FIRMS NO.	WAGE EARNERS NO.	EARNINGS (\$00 OMITTED)	WAGE EARNERS %	EARNINGS %
Metals and Products ¹ ...	1,167	198,615	4,213	+2.5	+3.9
Vehicles...	215	190,564	4,191	-0.3	-7.9
Textiles and Products...	287	42,179	650	-1.8	-9.9
Food and Products...	569	95,008	2,041	-12.0	-7.4
Stone, Clay, and Glass...	149	10,531	204	-4.5	-6.5
Wood Products...	334	26,953	421	-1.6	-5.1
Chemical Products...	148	16,869	394	-1.1	-0.1
Leather Products...	100	20,769	366	+0.3	-2.0
Rubber Products ² ...	8	6,573	152	+0.7	+0.1
Paper and Printing...	512	59,571	1,442	+0.1	+0.9
Total Mfg., 10 Groups...	3,489	667,632	14,074	-1.5	-3.2
Merchandising ³ ...	1,868	89,574	1,781	+2.6	+0.8
Public Utilities...	79	83,469	2,445	-0.1	-2.6
Coal Mining...	15	4,093	78	+5.3	-3.3
Construction...	301	10,607	213	-9.9	-14.6
Total Non-Mfg., 4 Groups	2,264	187,743	4,517	+0.6	-1.9
Total, 14 Groups	5,753	855,375	18,591	-1.1	-2.9

¹Other than Vehicles. ²Michigan and Wisconsin. ³Illinois and Wisconsin.

NOTE: This table was omitted in December 31, 1934 report, owing to delay in receipt of Michigan data.

gains of 70, 150, and 41 per cent in these comparisons, and was 3 per cent above that in the year 1930. December 1934 production of passenger vehicles amounted to 127,944, a rise of 181 per cent over the November volume, 158½ per cent greater than for December a year previous, and representing the largest December output since 1928. There were 55,128 trucks produced in December, which volume was 67½ per cent in excess of the preceding month, 85 per cent above that in December 1933, and the largest on record for the month.

Owing to the receipt of new models of certain makes of automobiles, aggregate distribution of automobiles at wholesale by reporting firms in the Middle West expanded markedly in December over a month earlier and likewise was considerably in excess of a year previous when production of new models was delayed. Dealer sales to users, however, were very light in December and smaller than in the corresponding month of 1933. Stocks at the year-end totaled much heavier than at the close of 1933 when they were exceptionally small. Despite the declines shown in the yearly comparison during recent months, sales of new automobiles both at wholesale and retail totaled moderately larger for the calendar year 1934 than in the preceding twelve months. Used car sales in the past year were also somewhat greater in number than in 1933. The ratio of deferred payment sales to total retail sales of dealers reporting the item was 44 per cent for December, as compared with a November ratio of 50 per cent for identical dealers and one of 46 per cent for December 1933.

IRON AND STEEL PRODUCTS

With the automobile and agricultural implement industries furnishing the chief source of demand, operations at steel mills of the Chicago district have risen rapidly in recent weeks. From a rate of around 36 per cent of capacity in the middle of December, steel ingot output continued to increase steadily until by the middle of January it had reached 57 per cent of capacity, this representing the highest rate since last June and comparing with a rate of only 29 per cent at the same time last year. The volume of business in the last month of 1934 showed material improvement over November and was likewise substantially heavier than in December 1933. Despite some slowing-down in activity beginning in July and extending through October, total business for 1934 moderately exceeded that for the year 1933. Pig iron output in the Illinois and Indiana district expanded considerably in 1934 over the low levels of 1933 and 1932; the daily average for December was

MIDWEST DISTRIBUTION OF AUTOMOBILES

	DECEMBER 1934 PER CENT CHANGE FROM		CALENDAR YEAR 1934 CHANGE FROM CALENDAR YEAR 1933	COMPANIES INCLUDED		
	NOV. 1934	DEC. 1933		NOV. 1934	DEC. 1933	YEAR 1933
New Cars						
Wholesale—						
Number Sold . . .	+120.4	+101.0	+15.3	16	15	12
Value	+98.3	+79.8	+32.8	16	15	12
Retail—						
Number Sold . . .	-46.2	-17.3	+7.6	52	52	46
Value	-38.4	-10.4	+5.8	52	52	46
On Hand End of Month—						
Number	-3.4	+30.7	+35.2*	52	52	46
Value	-9.1	+49.8	+36.7*	52	52	46
Used Cars						
Number Sold . . .	-24.5	+4.0	+5.1	52	52	46
Salable on Hand—						
Number	+0.4	+5.4	+6.5*	52	52	46
Value	+4.0	+28.2	+14.8*	52	52	46

*Average end of month.

the largest since last August. Scrap iron and steel prices climbed steadily until the middle of January after which time they tended to ease.

Activity at steel casting foundries of the Seventh district declined further during December, reported shipments falling off 25 per cent, orders 24 per cent, and production 2½ per cent, as compared with the corresponding tonnage figures of a month earlier. Shipments, which have been declining steadily since early last September, reached a level approximating the volume of December 1933. For the calendar year, however, they totaled in excess of 1933 by 80 per cent in tonnage units and slightly more than that percentage in dollar value. Malleable casting foundries were slightly more active in December than November, shipments showing little change, but orders increasing 3 per cent and production 26 per cent. As compared with December a year previous, all items were substantially larger, and shipments for 1934 as a whole exceeded those of 1933 by nearly 50 per cent in tonnage units and by over 60 per cent in value. In the manufacture of stoves and furnaces, the usual seasonal trend for December was apparent, decreases in molding-room operations, in the value of orders accepted, and in shipments ranging from 24 to 44 per cent. All operations were considerably above those of a year earlier, and shipments for the entire year aggregated 40 per cent higher than in 1933.

FURNITURE

Orders booked in December by furniture manufacturers reporting to this bank were again in excess of those in the corresponding month of 1933, although the 43 per cent increase recorded in the current period was somewhat smaller than in either of the two preceding months, due to a sharper decline from November this year than last. The recession of 26 per cent from that month was nevertheless smaller than the seasonal average, as was the 14 per cent decline in shipments which item also followed the trend of orders in the comparison with December a year previous, gaining 38 per cent. The volume of unfilled orders on hand at the close of 1934 showed a reduction of 32 per cent from a month earlier, and was 6 points lower in the ratio to current orders; as compared with outstandings on December 31, 1933, it was 30 per cent heavier. The rate of operations averaged 49 per cent of capacity in December, a drop of 3 points from that obtaining in the preceding month but substantially the same as the December 1933 ratio. Although declines were recorded from 1933 in several months of 1934, totals for the year reflect increases of 6 per cent both in new orders and in shipments.

LUMBER AND BUILDING MATERIALS TRADE

CLASS OF TRADE	DECEMBER 1934: PER CENT CHANGE FROM		NUMBER OF FIRMS OR YARDS
	NOV. 1934	DEC. 1933	
Wholesale Lumber:			
Sales in Dollars	-15.9	-2.1	12
Sales in Board Feet	-18.6	-10.1	10
Accounts Outstanding ¹	-22.5	-15.8	12
Retail Building Materials:			
Total Sales in Dollars	-14.9	+13.8	184
Lumber Sales in Dollars	-34.3	-3.7	68
Lumber Sales in Board Feet	-28.3	-29.0	78
Accounts Outstanding ¹	-10.4	-7.6	176
Ratio of Accounts Outstanding ¹ to Total Dollar Sales during Month			
DEC. 1934	NOV. 1934	DEC. 1933	
Wholesale Trade	205.6	223.0	239.1
Retail Trade	361.9	333.5	417.2

¹End of Month.

SHOE MANUFACTURING, TANNING, AND HIDES

Preliminary figures for December on activity in the boot and shoe industry of the Seventh district indicate little change from a month earlier, despite a sharp decline in the seasonal average for the years 1924-33. Including the December figures based on incomplete returns, output for the entire year 1934 aggregated about 9 per cent higher than in 1933, practically all of which increase was effected in the first half of the year. The tanning industry reported a slight gain for December in the production and sales of leather and a firmer trend in price quotations. Sales of packer hides and skins in the Chicago market showed a moderate increase over November, while prices advanced from one-half to two cents a pound on the several specifications. Prices by the middle of January were practically the same as at the close of December.

Building Materials, Construction Work

Demand for building materials declined in December from November in approximately seasonal proportions, but activity in most Seventh district building materials lines continued, nevertheless, the improvement relative to a year ago, which was shown in nearly all months of 1934. Wholesale lumber sales measured in both dollars and board feet continued an exception to the general trend, failing for the second successive month to equal the corresponding 1933 volume. For 1934 as a whole, however, due to heavy gains in the first four months of the year, dollar sales were 30 per cent greater than in 1933, and board-foot sales 4 per cent heavier. Contributory to the former increase was a higher price level for lumber, the peak of which was reached in December 1933 and maintained thereafter with only slight recession.

Total sales of all materials at retail yards were moderately in excess of the volume in December a year previous, but sales of lumber measured in both board feet and dollars showed a decrease in the comparison; declines from November were more than seasonal. For the calendar year, sales of lumber in dollar value were 18 per cent heavier than a year earlier. Board-foot sales showed a small net decline in the last six months of the year, but increased moderately in the aggregate for the entire year, owing to a heavy net gain for the first six months.

Adverse weather conditions in some sections continued to restrict demand for cement and clay products, shipments of cement from five midwest states falling off 64 per cent in December from the preceding month. Moderate improvement over 1933 operations was experienced in these industries, despite some slowing-down in P.W.A. projects in the last quarter of 1934. Prices of these products and of lumber at both wholesale and retail continued firm in December at levels little changed from those attained by the close of 1933.

WHOLESALE TRADE IN DECEMBER 1934

COMMODITY	PER CENT CHANGE FROM SAME MONTH LAST YEAR				RATIO OF ACCOUNTS OUTSTANDING TO NET SALES
	NET SALES	STOCKS	ACCOUNTS OUTSTAND.	COLLEC-TIONS	
Groceries.....	+10.9	+12.9	+4.0	+11.3	92.8
Hardware.....	+13.2	+4.1	-10.3	+31.1	194.9
Dry Goods.....	+23.4	+3.8	-3.4	+17.3	232.3
Drugs.....	-9.2	-6.0	-7.0	+2.0	204.6
Electrical Supplies.....	+9.2	+1.1	-13.3	+17.2	121.0

BUILDING CONSTRUCTION

Little improvement in the building industry was shown during December over the low volume for the current year recorded in November, total contracts awarded increasing in value only 2 million dollars, and amounting to scarcely more than half the 33 millions awarded in December 1933. Residential awards declined further during December—by 29 per cent—though continuing considerably higher than a year previous. The value of total awards made during the last six months of the year was 16 per cent under that for the corresponding period in 1933 when the trend was markedly upward, but in comparison with the whole of that year a gain of 37 per cent was recorded for the calendar year 1934.

BUILDING CONTRACTS AWARDED* SEVENTH FEDERAL RESERVE DISTRICT

PERIOD	TOTAL CONTRACTS	RESIDENTIAL CONTRACTS
December 1934.....	\$ 17,649,906	\$ 1,319,379
Change from November 1934.....	+15%	-29%
Change from December 1933.....	-47%	+46%
Calendar year 1934.....	\$247,009,030	\$26,451,189
Change from year 1933.....	+37%	+24%

*Data furnished by F. W. Dodge Corporation.

According to permits issued in 102 cities of the district for all types of construction, the estimated cost thereof declined 25 per cent from November but gained 24 per cent over December 1933, which increase is largely attributable to higher valuation of permits issued in Detroit. Exclusive of that city, the 101 cities issued permits aggregating only 5 per cent greater in value. Total permits numbered 1,668—a drop of 45 per cent from a month previous, but 31 per cent higher than a year earlier.

Merchandising

Changes during December in wholesale trade conditions of the district were seasonal in nature. Grocery sales declined 4 per cent, hardware 9 per cent, and the dry goods trade 18 per cent from the preceding month, as compared with recessions in the 1924-33 December average of 5, 10, and 20 per cent, respectively. The wholesale drug trade increased 9 per cent over November and the electrical supply trade 22 per cent, as against gains in the seasonal average of but 4 and 11½ per cent. Although gains in the year-ago comparison were somewhat smaller than in November and drug sales recorded a decline for the first time since September 1933, aggregate sales for the calendar year 1934 were well above those for 1933: drug sales totaled 12½ per cent larger, groceries 15 per cent, dry goods 26 per cent, hardware 30 per cent, and electrical supply sales 35 per cent heavier. In all reporting groups, ratios of accounts outstanding at the end of December to sales during the

DEPARTMENT STORE TRADE IN DECEMBER 1934

LOCALITY	PER CENT CHANGE DECEMBER 1934 FROM DECEMBER 1933		PER CENT CHANGE YEAR 1934 FROM YEAR 1933	RATIO OF DECEMBER COLLECTIONS TO ACCOUNTS OUTSTANDING END OF NOVEMBER	
	NET SALES	STOCKS END OF MONTH		NET SALES	1934
Chicago.....	+15.8	-3.9	+12.1	37.8	30.9
Detroit.....	+21.8	+2.8	+29.9	46.7	38.0
Indianapolis.....	+16.9	-5.1	+14.4	44.4	41.9
Milwaukee.....	+12.8	-5.9	+13.0	41.5	36.2
Other Cities.....	+12.8	-0.0	+23.3	33.3	30.9
7th District.....	+16.4	-2.6	+18.4	40.3	34.9

month declined from those shown in November, and only in drugs were they higher than a year previous.

Christmas trade of Seventh district department stores was relatively good in 1934, as evidenced in December sales of reporting firms, which gained 61 per cent over the preceding month, this increase comparing with one of 52 per cent in the 1924-33 average for the month. Furthermore, the gain of 16 per cent in the yearly comparison was the largest in seven months. Detroit stores, with an expansion of 72½ per cent, experienced the greatest increase over November, of the larger cities in the district; Indianapolis trade increased 66 per cent, Chicago trade 59 per cent, and Milwaukee trade 50 per cent, with the total for stores in smaller centers gaining 56 per cent over a month previous. It will be noted in the table that Detroit likewise showed the heaviest increase in sales for the calendar year 1934 over the preceding year, gains for Indianapolis, Milwaukee, and Chicago following in the order given, although the total for stores in smaller cities came second to Detroit in the district compilation. Year-end stocks were slightly lower than at the close of 1933, declining seasonally from the preceding month; stock turnover for the year of 4.29 times compared with 3.95 times for the year 1933.

Following two months of comparatively unfavorable trade, sales of shoes by reporting dealers and department stores rose sharply in December, the increase in total sales over the preceding month amounting to 68 per cent, whereas the 1925-33 average gain for the period is but 38 per cent. As a consequence of this marked improvement, December business recorded an increase of 27 per cent over that for December a year previous,

the gain being the largest in the yearly comparison since last May. Sales for the entire year 1934 exceeded those of 1933 by 17 per cent.

Similarly, the trend in the retail furniture trade was exceptionally favorable this past December, sales of furniture and house furnishings by dealers and department stores expanding 33 per cent over the November volume—the gain in the 1927-33 December average is only 20 per cent. As compared with December 1933, sales in the month last year were 26 per cent larger and in the twelve months of 1934 were 23 per cent above those of the preceding calendar year.

December chain store trade exceeded that of November by 62 per cent, according to sales data of thirteen reporting chains, and totaled 10½ per cent above that of the corresponding month a year previous, with business for the twelve months of 1934 aggregating 9 per cent more than in the year 1933. All groups, which include five-and-ten cent store, drug, grocery, cigar, shoe, men's clothing, and musical instrument chains, shared in the expansion over a month previous and over December 1933, while grocery and musical instrument chains were the only ones to record a decline for the calendar year.

Data for the calendar year 1934 on the retail hardware trade in the five states including the Seventh district show an increase over the year 1933 of 19 per cent in aggregate sales of 193 dealers. Sales by Michigan dealers registered the largest gain in the comparison—24 per cent—and those by Illinois firms the smallest—15 per cent—with increases in Indiana, Iowa, and Wisconsin amounting to approximately 18 per cent each.

MONTHLY BUSINESS INDICES COMPUTED BY FEDERAL RESERVE BANK OF CHICAGO

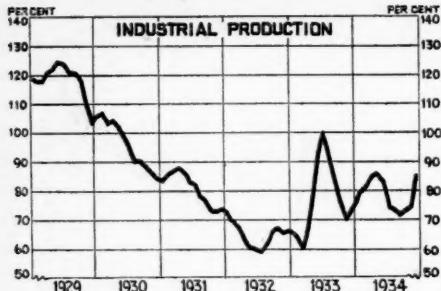
(Index numbers express a comparison of unit or dollar volume for the months indicated, using the monthly average for 1923-1924-1925 as a base, unless otherwise indicated. Where figures for latest month shown are partly estimated on basis of returns received to date, revisions will be given the following month. Data refer to the Seventh Federal Reserve district unless otherwise noted.)

	No. of Firms	Dec. 1934	Nov. 1934	Oct. 1934	Sept. 1934	Aug. 1934	July 1934	Dec. 1933	Nov. 1933	Oct. 1933	Sept. 1933	Aug. 1933	July 1933
Meat Packing—(U. S.)—													
Sales (in dollars).....	62	73	71	79	77	75	68	54	56	67	63	58	60
Casting Foundries—													
Shipments:													
Steel—in Dollars.....	12	20	24	27	29	42	40	18	21	23	19	21	21
In Tons.....	12	18	25	26	31	46	44	20	22	25	19	23	25
Malleable—in Dollars.....	21	28	29	26	24	27	25	23	23	25	24	24	21
In Tons.....	21	42	43	38	34	40	36	36	36	39	38	41	36
Stoves and Furnaces—													
Shipments (in dollars).....	10	96	144	192	140	85	64	78	109	128	108	91	63
Furniture—													
Orders (in dollars).....	14	25	34	40	40	38	41	18	21	24	42	47	62
Shipments (in dollars).....	14	31	36	42	39	37	27	23	28	38	47	43	30
Flour—													
Production (in bbls).....	21	96	104	122	111	108	86	104	109	107	93	93	98
Output of Butter by Creameries—													
Production.....	67	74	82	105	112	127	126	80	80	93	99	122	123
Sales.....	69	96	108	105	100	116	110	101	95	92	96	116	106
Wholesale Trade—													
Net Sales (in dollars):													
Groceries.....	28	70	73	77	76	78	67	63	64	66	70	68	67
Hardware.....	11	52	57	65	58	57	53	46	46	51	50	49	47
Dry Goods.....	9	35	42	43	50	48	31	28	33	38	41	34	44
Drugs.....	13	66	66	74	65	66	56	67	57	61	61	61	52
Retail Trade (Dept. Stores)—													
Net Sales (in dollars):													
Chicago.....	25	120	75	77	74	65	51	106	65	73	68	64	48
Detroit.....	5	139	81	76	98	69	50	114	67	67	87	57	41
Indianapolis.....	4	140	83	85	96	70	51	119	70	83	83	69	49
Milwaukee.....	5	125	83	89	76	63	52	111	77	83	73	65	52
Other Cities.....	43	115	74	74	67	62	45	102	64	64	60	57	40
Seventh District—Unadjusted.....	82	124	77	78	79	65	50	108	67	72	72	62	46
Adjusted.....	82	74	70	71	76	82	69	64	60	66	70	78	64
Automobile Production—(U. S.)—													
Passenger Cars.....	44	16	29	42	63	77	17	14	36	54	65	65	65
Trucks.....	146	87	127	119	136	113	79	49	79	91	110	101	101
Building Construction—													
Contracts Awarded (in dollars):													
Residential.....	5	6	8	8	7	7	3	5	5	12	7	9	9
Total.....	26	22	34	29	23	28	48	34	31	29	22	27	27
Iron and Steel—													
Pig Iron Production:*													
Illinois and Indiana.....	38	34	33	34	42	45	31	34	45	42	52	59	59
United States.....	34	33	31	31	35	40	39	37	45	52	60	59	59
Steel Ingots Production—(U. S.)*.....	58	50	41	38	38	44	54	44	60	66	80	95	95

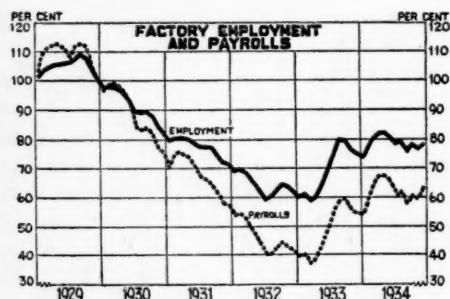
*Average daily production.

NATIONAL SUMMARY OF BUSINESS CONDITIONS

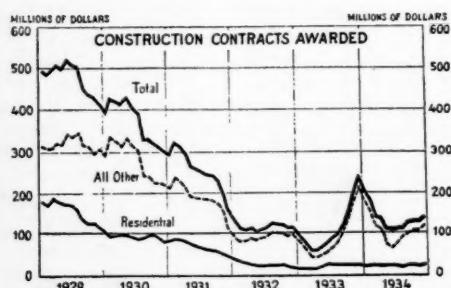
(By the Federal Reserve Board)



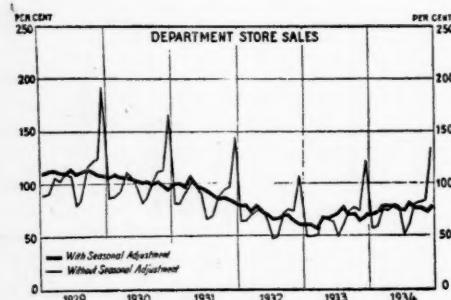
Index number of industrial production, adjusted for seasonal variation. (1923-1925 average = 100.)



Indexes of United States Bureau of Labor Statistics, without adjustment for seasonal variation. (1923-1925 average = 100.)



Three-month moving averages of F. W. Dodge data for 37 Eastern States, adjusted for seasonal variation. Latest figure based on data for November and December 1934, and estimate for January 1935.



Indexes of daily average value of sales. (1923-1925 = 100.)

IN December the Federal Reserve Board's seasonally adjusted indexes of industrial production and factory employment increased sharply. Wholesale prices of farm products and foods showed a considerable advance in the latter part of the month and in the early part of January, while prices of other commodities as a group showed little change.

PRODUCTION AND EMPLOYMENT

Output of basic industrial products increased in December, when it usually declines, and the Federal Reserve Board's index, which makes allowance for the usual seasonal variations, increased from 74 per cent of the 1923-25 average in November to 85 per cent in December. Activity at steel mills increased, contrary to the usual seasonal tendency, and output at automobile factories rose rapidly. In both of these industries there were further sharp increases in activity in the first three weeks of January. At woolen mills and silk mills activity increased in December, contrary to seasonal tendency, and at cotton mills and tobacco factories it declined by less than the usual seasonal amount. Output of petroleum increased somewhat in December and the first half of January.

Factory employment increased between the middle of November and the middle of December, contrary to seasonal tendency, and there was a considerable growth in factory payrolls. Substantial increases were reported for the automobile, textile, shoe, and tire industries, while in the meat-packing industry there was a further decline from recent high levels. Employment in retail trade showed an increase largely of a seasonal character. Value of construction contracts awarded, as reported by the F. W. Dodge Corporation, showed a decline in December, partly seasonal in nature, followed by an increase in the first half of January. For the fourth quarter as a whole, the value of contracts for privately-financed projects was about the same as in the corresponding period of 1933, while the volume of publicly-financed projects was considerably smaller than last year.

DISTRIBUTION

Volume of freight-car loadings declined less in December than is usual at that season. Sales of merchandise by department stores showed an increase of more than the estimated seasonal amount and were approximately 11 per cent larger than in the corresponding month a year earlier.

COMMODITY PRICES

The general level of wholesale commodity prices, as measured by the index of the Bureau of Labor Statistics, advanced considerably during the latter part of December and the early part of January, reflecting chiefly marked increases in the prices of farm products and foods. Scrap steel prices also increased. In the third week of January prices of grains, cotton, hides, and rubber showed a decline from the level of the preceding week. Currently, wholesale prices are 9 per cent higher than a year ago, reflecting an increase of 30 per cent for farm products, an increase of 24 per cent for foods, and little change for other commodities.

Retail prices of foods, as reported by the Bureau of Labor Statistics, increased considerably in the latter part of December, following three months of gradual decline.

BANK CREDIT

During the six weeks ending January 23, seasonal return flow of currency from circulation, further imports of gold, and disbursement by the Treasury of funds previously held as cash or on deposit with the reserve banks were reflected in a growth of member bank balances with the reserve banks to \$4,500,000,000, the highest figure on record and an increase of their excess reserves to the high level of \$2,160,000,000.

Loans and investments of reporting member banks in leading cities increased by \$350,000,000 in the five weeks ended January 16. Holdings of United States Government obligations rose \$420,000,000, and an increase was shown also in holdings of obligations guaranteed by the Government and in other security holdings, while loans declined by \$130,000,000.

Commercial paper rates, which had been reported at a range of 3/4-1 per cent since June, declined to a general level of 3/4 per cent early in January. Other short-term open-market money rates showed little change, while yields on long-term United States Treasury bonds declined from 3 to 2 3/4 per cent.

In December and January discount rates were lowered from 3 to 2 1/2 per cent at the Federal Reserve Banks of Richmond, Minneapolis, Kansas City, and Dallas, and from 2 1/2 to 2 per cent at Philadelphia, Chicago, and St. Louis. At the Federal Reserve Bank of Atlanta the discount rate was lowered to 2 1/2 per cent in December and to 2 per cent in January.

